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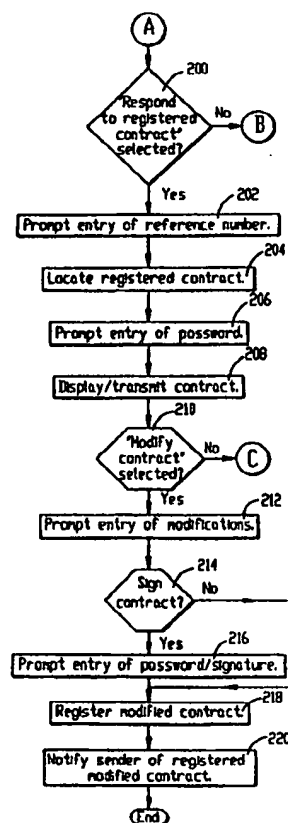
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(54) Title: ON-LINE CONTRACT NEGOTIATING APPARATUS AND METHOD

(57) Abstract

An apparatus and method for facilitating the negotiation of contracts is disclosed. The apparatus and method allows two or more parties to negotiate a contract (210) over a communication network and creates a data record of the terms (212), conditions and obligations of the final contract for later retrieval. A database of data records is also created and maintained to allow searching of executed contracts (204).



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ON-LINE CONTRACT NEGOTIATING APPARATUS AND METHODBackground of the Invention5 1. Field of the Invention

 The present invention relates to an apparatus and method for facilitating the negotiation of contracts. More particularly, the invention relates to an on-line contract negotiating apparatus and method that allows two
10 or more parties to negotiate a contract over a communication network. During and after the negotiations, the apparatus and method creates a data record of the negotiations including the offer, acceptance and terms, conditions and obligations of the final contract for later
15 retrieval. A database of data records is also created and maintained to allow searching of executed contracts.

20 2. Description of the Prior Art

 Currently, when two or more people or entities wish to negotiate a written contract, one of the parties (the offeror) sends the other party (the offeree) a proposed written contract. If the offeree agrees to the terms, conditions and obligations of the contract, the
25 offeree signs the contract or otherwise indicates consent or acceptance of the contract.

 The above-described method of negotiating contracts works well when the original contract is accepted as written by the offeree; however, the method is
30 less convenient when the offeree proposes changes to the contract. For example, the original offeree often does not accept the original offer but instead sends the offeror a counter-offer, which acts as a rejection of the original offer and a tender of a new offer. Thus, the
35 original offeror becomes the offeree and the original

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offeree becomes the offeror with regards to the counter-offer. Then, the original offeror will often propose a second counter-offer, which of course acts as a rejection of the first counter-offer and a tender of a new offer. This back-and-forth tendering of new offers is referred to as the "battle of the forms" in contract law.

The "battle of the forms" method of negotiating a contract causes problems for agreements that are time-restricted because it is time-consuming and unorganized. For example, since each counter-offer is essentially a new contract proposal, the time and effort spent preparing and reviewing unaccepted offers and counter-offers is wasted. Additionally, a counter-offer is a complete rejection of the entire original offer, it is impossible to tell from the counter-offer which of the terms, obligations and conditions of the previous offers were acceptable or unacceptable to the other party. This prevents the negotiating parties from discovering any "common ground" and thus results in the needless expenditure of resources in re-negotiating terms, conditions and obligations which are not in contention. Moreover, the "battle of the forms" wastes paper, postage and other resources used during the negotiation.

Existing contract negotiation methods also fail to provide a convenient method for dealing with escrow accounts. Escrow accounts are created when a buyer places a sum of money in a secured account that is to be delivered to the seller only after certain conditions or obligations of the contract have been met. In existing contract negotiation methods, the escrow accounts must be deposited with a third-party custodian such as an arbitrator or sales agent. The arbitrator or sales agent monitors the performance of the contract and releases the money to the seller only after the designated conditions and obligations have been met or performed. This method

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of handling escrow accounts is limited because of the costs for hiring the third-party. These costs can be extremely high if the contract is complex due to the amount of supervision required.

5 Another limitation of existing forms of contract negotiation is that they do not provide a convenient and fast method of monitoring the performance of the terms, conditions and obligations of the contract. Currently, both the parties to the contract must monitor the performance of the contract and inform each other of the satisfaction of contract conditions and obligations. As can be appreciated, the communication required between the parties can increase the time and effort spent on the contract.

10 A final limitation of existing forms of contract negotiation is that they do not provide a centralized computer data record of executed contracts and their negotiations that can be accessed and retrieved at a later date.

15 Accordingly, there is a need for an improved method and apparatus for facilitating the negotiation of contracts. More particularly, there is a need for a method and apparatus for negotiating contracts that allows two or more parties to negotiate a contract over a communication network without continually sending and receiving offers, counter-offers and other communications. There is also a need for a contract negotiating method and apparatus that maintains a centralized data record of executed contracts including offers, counter-offers, acceptances, and other communications for later retrieval by either party or other persons. Additionally, there is a need for a contract negotiating method and apparatus that facilitates the handling of escrow accounts without the use of third-party arbitrators or sales agents. Finally, there is a need for a contract negotiating method

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that allows the parties to easily document the performance and completion of the terms, conditions, and obligations of the contract.

5 Objects and Summary of the Invention

 The present invention overcomes the problems outlined above and provides a distinct advance in the state of the art. More particularly, the present invention provides an improved method and apparatus for
10 negotiating contracts that allows two or more parties to negotiate a contract over a communication network, maintains a centralized data record of executed contracts including all offers, counter-offers, acceptances, and
15 other communications for later retrieval by either party or other persons, facilitates the handling of escrow accounts without the use of arbitrators or sales agents, and allows the parties to easily document the performance of the contract.

 The preferred contract negotiation method is
20 implemented on a contract negotiating apparatus including a central contract negotiating computer, a plurality of access terminals, and a communication network coupling the contract negotiating computer with the access terminals. The method is preferably implemented in the form of a
25 computer program for operating the contract negotiating computer.

 The method broadly includes the steps of receiving into the contract negotiating computer an offer from a sender for a recipient sent over the communication
30 network, storing the offer in a data record in the contract negotiating computer, notifying the recipient of the receipt of the offer in the contract negotiating computer, receiving into the contract negotiating computer an acceptance of the offer or a counter-offer from the
35 recipient, storing the acceptance or counter-offer in the

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data record with the offer, and maintaining the data record in the contract negotiating computer for providing proof of the contract.

5 In preferred forms, the method also includes the step of receiving into the contract negotiating computer an escrow account from either the sender or the recipient for delivery to the other party after the conditions and obligations of the contract have been met. The method also includes the steps of receiving into the contract negotiating computer proof from the sender, recipient, or
10 designated third party that certain of the conditions and obligations of the executed contract have been met and storing the proof in the contract data record. The method compares the proof to the contents of the data record to
15 determine when all of the conditions and obligations of the executed contract have been met, and in response thereto, releases the escrow account to either the sender or the recipient as dictated by the contract.

The above described method and apparatus for
20 negotiating a contract offers numerous advantages. For example, by providing a contract negotiating method that allows two or more parties to negotiate a contract over a communication network, contracts can be quickly and easily negotiated without the continual sending, receiving,
25 reviewing and revising of offers, counter-offers and other communications between the parties. With the present method, a sender merely sends a proposed contract for a recipient to the central contract negotiating computer and waits for a reply. The central contract negotiating
30 computer notifies the recipient of the offer over the communication network and provides the recipient with instructions on how to respond to the offer. To respond to the offer, the recipient merely sends an acceptance or counter-offer to the central computer. Thus, the central

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computer acts as a custodian for the negotiation and execution of the contract.

Another advantage of the present contract negotiating method is that it creates and maintains a centralized data record of all offers, counter-offers, acceptances, and other communications concerning a contract. This allows the central computer to record the time and date of the receipt of the documents and to compare offers with counter-offers with conventional word processing software to highlight agreed upon terms and conditions so that both parties can concentrate on negotiating only those terms and conditions that are in contention. This also provides a searchable data record that can be later retrieved by either party to serve as proof of the executed contract. Additionally, by providing a contract negotiating method that creates and maintains a database of a plurality of executed contracts, members of the public can search and view the contents of the database to conduct research into the contracts of individuals and companies.

The present method also facilitates the handling of escrow accounts without the need to hire an arbitrator or sales agent. This reduces the time and expense of negotiating contracts and managing escrow accounts.

A further advantage of the present invention is that it allows the parties to easily document the performance and completion of the terms, conditions and obligations of the contract to facilitate the execution of the contract.

Brief Description of the Drawing Figures

A preferred embodiment of the present invention is described in detail below with reference to the attached drawing figures, wherein:

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Fig. 1 is a schematic representation of a contract negotiating apparatus constructed in accordance with the preferred embodiment of the present invention;

5 Fig. 2A is a flow chart illustrating the preferred method for operating the apparatus of the present invention, and particularly illustrating the registration of a contract in the central contract negotiating computer;

10 Fig. 2B is a continuation of the flow chart in Fig. 2A illustrating the registration of a response to a registered contract;

Fig. 2C is a continuation of the flow chart in Fig. 2A illustrating the registration of an acceptance or rejection of a registered contract;

15 Fig. 2D is a continuation of the flow chart in Fig. 2A illustrating the registration of an escrow account;

20 Fig. 2E is a continuation of the flow chart in Fig. 2A illustrating the receipt of progress reports regarding the obligations, conditions, and terms of the registered contract; and

25 Fig. 2F is a continuation of the flow chart in Fig. 2A illustrating the searching and retrieval of a contract data record from the central contract negotiating computer database.

Detailed Description of the Preferred Embodiments

Turning to the drawings, Fig. 1 illustrates a preferred contract negotiation apparatus 10 for
30 implementing the contract negotiating method of the present invention. The contract negotiating apparatus 10 broadly includes a central contract negotiating computer 12, a plurality of access terminals 14, and communication network 16 coupling the central contract negotiating
35 computer 12 with the access terminals 14.

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The contract negotiating method of the present invention is implemented in the form of a computer program for operating the central contract negotiating computer 12. The steps of the preferred method are illustrated in Figs. 2A-2E.

In more detail, the central contract negotiating computer 12 is preferably a file-server microcomputer, minicomputer, or mainframe computer such as those manufactured by Digital Equipment Corporation. The central contract negotiating computer 12 includes conventional memory, input and output ports, and a modem, and is operable for receiving, storing, retrieving and sending offers, counter-offers, acceptances, rejections, and other communications related to the negotiation of contracts.

The access terminals 14 are provided for the entry of contract communications including offers, counter-offers, acceptances, and rejections and for the delivery of these communications to the central contract negotiating computer 12. The access terminals 14 are also operable for receiving contract communications from the central contract negotiating computer 12.

Access terminals 14 are preferably personal computers such as IBM compatible microcomputers containing Intel 486 or Pentium type microprocessors and conventional memory, input and output ports, a modem, and conventional software for communicating with the central contract negotiating computer 12. Access terminal 14 may also include "dumb" terminals with communication capabilities only. Those skilled in the art will appreciate that any number of access terminals 14 may be coupled with the central contract negotiating computer 12.

The communication network 16 couples the central contract negotiating computer 12 with the access terminals 14 for providing data communication therebetween. The

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network 14 is preferably a conventional telecommunication network including a plurality of switches connected to respective local exchange carriers. The communication network 14 may also include a local area network, wide area network, wireless network, voice network, or any other type of network operable for coupling the access terminals 14 with the central contract negotiating computer 12.

Those skilled in the art will appreciate that the complaint negotiating method of the present invention is applicable to virtually all types of computer hardware and the central contract negotiating computer 12, the access terminals 14 and the communication network 16 as described and illustrated herein are merely illustrative of the preferred embodiment of the invention.

The contract negotiating method of the present invention is implemented in the form of a computer program for operating the central contract negotiating computer 12. The computer program is preferably stored in the read-only-memory (ROM) of the central contract negotiating computer 12, but may also be stored in the computer's hard drive memory or on conventional external disks for transfer to the hard drive memory of the central contract negotiating computer 12.

The computer program is preferably written in a standard generalized mark-up language (SGML) such as Hypertext. The mark-up language cooperates with a standard server language such as Common Gateway Interface (CGI) or Practical Extraction and Report Language (PERL) for handling the various operating functions of the central contract negotiating computer 12. Those skilled in the art will appreciate that the computer program can be written in other computer languages as a matter of design choice.

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The method of the present invention handles all types of contracts and transactions. As used herein, the term contract is understood to include contracts, sales transactions, sales agreements, purchase agreements, employment agreements, lease agreements, and all other types of agreements.

Referring to the flow chart of Fig. 2A, the preferred computer program enters at step 100 where a user operating one of the access terminals 14 accesses the central contract negotiating computer 12 by way of the communication network 14. Access may include conventional log-on or connection-for-data-transfer procedures.

In step 102, the program displays and/or transmits an initial communication describing the function and capabilities of the computer program to the appropriate access terminal 14. The program then moves to step 104 where it displays the options "Register Contract?", "Respond To Registered Contract?", "Establish Escrow Account?", "Report Progress of Registered Contract?", and "Retrieve Contract Data Record?". Step 104 then prompts the user to select one of these options.

In step 106, the program determines whether the option "Register Contract?" was selected. If the answer to step 106 is yes, the program proceeds to steps 108-124 for prompting the user to register his or her contract. If the answer to step 106 is no, the program proceeds to step 200 illustrated in Fig. 2B as described below.

Returning to Fig. 2A, step 108 prompts the sender to enter a contract including all of its terms, conditions, and obligations for delivery to the central contract negotiating computer 12. Alternately, step 108 may provide a listing of pre-formatted contract documents that can be used or modified by the sender. The central contract negotiating computer 12 may prompt the entry of

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the conditions for performance of the contract separately so that they may be listed separately as described below.

Any or all of the functions of step 108 may be performed by an agent program that communicates with the computer program illustrated in Figs. 2A-2E. The agent program may reside in a secondary central contract negotiating computer coupled with the central contract negotiating computer 12, in the access terminals, or in the central contract negotiating computer 12 itself for delivery to the access terminals over the communication network. The agent program prompts a user to enter contract information and performs standard contract calculations and record keeping. The agent program then transfers this information back to the central contract negotiating computer 12.

For example, the agent program may display or transmit a pre-formatted contract to a user of one of the access terminals. The agent program may include conventional word processing software that allows the user to modify the contract and transmit these changes to the central contract negotiating computer 12. This reduces the data load on the central contract negotiating computer 12 and thus increases the speed of the system.

Step 108 may also prompt the sender to identify parts of the entered contract that the sender considers to be crucial to the contract. For example, if the sender indicates that a consideration amount is not negotiable, the program can highlight, underline, or otherwise emphasize this portion of the contract to facilitate negotiation.

Step 110 then asks whether the sender wishes to sign the contract. Those skilled in contract law will appreciate that a signed offer may be accepted by the recipient if not first rescinded by the sender. In contrast, an unsigned offer is typically treated as an

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invitation to receive an offer from the recipient and is not legally binding on the sender until the sender signs the offer or otherwise indicates his assent to the offer.

5 If the answer to step 110 is no, the program skips step 112 and proceeds to step 114. If the answer to step 110 is yes, the program proceeds to step 112 which prompts the sender to enter a password or other signature information for verifying the identity of the sender. The central contract negotiating computer 12 includes a
10 database of known passwords or other signature information that is compared with this entered password. The entry and verification of the sender's password replaces the conventional requirement of signing a contract. Since many forums require a written signature to recognize the
15 validity of a contract, the computer program of the present invention may also send the contract to all the parties for actual signing once the negotiations are complete.

In preferred forms, the password or signature
20 information entered in step 112 is a "private key" provided with a public key encryption technique such as the cryptography methods provided by RSA Data Security, Inc., but may also include any form of protected access or authentication protocol. Public key encryption uses a
25 pair of asymmetric keys for encrypting and decrypting coded communications. A pair of keys are provided for each person or entity that wishes to send and receive coded communications. One of the keys is a public key which is published, placed on an on-line database or
30 otherwise made available to the public. The private key is disclosed only to the particular individual and is not distributed. When a communication is encrypted using the public key, it can only be decrypted using the private key. Conversely, when a communication is encrypted using

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the private key, it can only be decrypted using the public key.

Step 114 prompts the sender to enter his or her contact information such as the sender's address, e-mail address, network address, or other information used to send correspondence to the sender.

To provide for confidentiality of sensitive communications, step 116 allows the sender to encode or encrypt the contract or other communication using the recipient's password or signature information before sending it over the communication network. The encoding and encrypting is preferably performed using the public key encryption techniques described above.

The program then moves to step 118 which prompts the sender to enter contact information for the recipient. This contact information may include the recipient's address, e-mail address, network address, or other information used to send correspondence to the recipient.

The program may also include step 120 for collecting a fee for the registration of a contract. The fee can be collected by various methods including on-line collection or debiting the sender's credit card account while registering the contract.

Step 122 then stores the contract as a data record, thereby registering the contract. The contract and all information related to the processing of the contract, such as the time and date the contract was received and sent to the recipient are preferably stored in the central contract negotiating computer 12. In this way, the central contract negotiating computer 12 serves as a custodian or third party witness to the contract for providing proof of the terms, conditions, and obligations of the contract. Step 122 also assigns a reference number or code to the data record for facilitating its later retrieval.

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As the above-described contract registration steps are repeated by numerous users, the central contract negotiating computer 12 creates and maintains a searchable database of all contract data records that have been registered. The database is preferably stored in the hard-drive memory of the central contract negotiating computer 12. The database is preferably categorized and organized according to the names of the parties, the type of agreement, or some other variable for facilitating later searching of the database. The database can also be stored in other conventional memory of central contract negotiating computer 12 such as optical storage devices or tape backups for archiving. As described in more detail below, this database can be searched by the parties to the contracts and other persons for providing proof of executed contracts and for researching the contract reputation of companies and individuals. To provide for the confidentiality of certain contracts, step 122 may also ask whether the data record is to remain confidential.

After the contract has been registered and stored as a data record, step 124 notifies the recipient of the contract. The recipient is preferably notified over the communication network, but may also be notified by e-mail, facsimile, voice communication, or by conventional postal service mail. In the notification, the recipient is given the reference code assigned in step 122 and instructions on how to contact the central contract negotiating computer 12 for retrieving the contract. If the recipient of the contract does not respond to this notification within a pre-determined amount of time, the computer program may repeat step 124.

If the "Register Contract?" option was not selected in step 106 of Fig. 2A, the program continues at step 200 of Fig. 2B. Fig. 2B illustrates the registration

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of a response to a registered contract in the central contract negotiating computer 12.

5 Step 200 first determines whether the "Respond to Registered Contract?" option was selected. If the answer to step 200 is yes, the program proceeds to steps 202-220 for prompting the recipient to register a response to the registered contract. If the answer to step 200 is no, the program proceeds to step 300 illustrated in Fig. 2D as described below.

10 Returning to Fig. 2B, step 202 prompts the recipient to enter the reference numeral or code for the registered contract. Step 204 then uses the entered reference number to locate the data record for the registered contract.

15 If the data record containing the sender's contract was encrypted in step 116 of Fig. 2A, step 206 prompts the recipient to enter his or her password or signature information for decrypting the data record. Step 206 then compares the entered password with the recipient's known password for verifying the recipient's identity. This step also preferably uses the public key encryption techniques described above.

20 After the recipient's identity is established in step 206 and the encrypted data record has been decrypted, step 208 displays or transmits the registered contract to the recipient by way of the communication network. Step 208 also displays or transmits information to the recipient on how to respond to the registered contract and lists the options: "Modify Contract?"; "Accept Contract?"; "Reject Contract?" and prompts the recipient to select one of these options.

30 Step 210 then determines if the "Modify Contract?" option was selected in step 208. If the answer to step 210 is no, the program proceeds to step 260 illustrated in Fig. 2C. If the answer to step 210 is yes,

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the program proceeds to step 212 which prompts the recipient to enter modifications to the registered contract or to enter a counter-offer. As in step 108, step 212 may provide a listing of pre-formatted contract documents that can be used or modified by the recipient to respond to the sender's contract offer.

Step 218 then stores the recipient's modification or counter-offer along side the sender's contract in the appropriate data record, thereby registering the recipient's response. Step 218 also records the time and date the response was received and may compare the sender's contract with the recipient's response to identify identical or similar terms and conditions. In this way, the central contract negotiating computer 12 serves both as a custodian or third party witness to the contract and as a means for narrowing the negotiations to only those terms and conditions that are in contention. The comparison steps can be performed with conventional word processing software.

After the recipient's response has been registered and stored along side the sender's contract in the data record, step 220 notifies the original sender of the recipient's response. The sender may be notified by e-mail, facsimile, voice communication, or by conventional postal service mail. Since the sender has already been given the reference code assigned in step 122, he or she may access the central contract negotiating computer 12 by way of the communication network for retrieving the data record. If the recipient of the contract does not respond to this notification within a pre-determined amount of time, the computer program may repeat step 220.

Those skilled in the art will appreciate that steps 200-220 may be repeated by both the sender and the recipient until a contract has been fully negotiated and executed. Each time the sender or recipient contacts the

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central contract negotiating computer 12, his or her communication is stored in the appropriate data record with the other contract communications. Thus, all communications between the parties relating to the contract are stored and registered in the central contract negotiating computer 12 in the same record.

If the "Modify Contract?" option was not selected in step 210 of Fig. 2B, the program continues at step 260 of Fig. 2C. Step 260 asks whether the recipient selected the option "Accept Terms of Contract?". If the answer to step 260 is yes, the program proceeds to step 262 which prompts the recipient to enter his or her password or signature information. As described above, this password or signature information is used to verify the recipient's acceptance of the contract and may be followed up by written signature at a later time.

Step 264 then determines whether the other party assented to the contract or counter-offer by providing his or her password or signature information. If the answer to step 264 is no, the program proceeds to step 266 which notifies the other party of the acceptance of the offer and instructs the other party to respond.

If the answer to step 264 is yes, step 267 modifies the data record to indicate that the contract has been accepted by both parties. Step 267 also lists, highlights, or otherwise marks the obligations and conditions that must be met in fulfilling the contract. For example, the central contract negotiating computer 12 prompted the sender and the recipient to list all conditions and obligations of the contract in the contract and registration steps described above. Step 267 merely consolidates all the conditions and obligations into a single list. As described in more detail below, the program allows the parties to the contract and other designated third parties to report the progress of these

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conditions and obligations to the central contract negotiating computer 12.

5 Step 268 then determines whether the contract requires the establishment of an escrow account. This is determined from the contract, counter-offer, or modifications to the contract that were entered in the steps above. If the answer to step 268 is yes, the program proceeds to step 270 which notifies the appropriate party that an escrow account is required before the contract can be listed as being fully accepted.

10 If the answer to step 268 is no, step 272 registers the contract in the appropriate data record and indicates that the contract has been fully accepted by both parties. Step 274 then notifies the parties of the conditions and obligations of the contract and informs them of how to report the progress of these conditions and obligations as described in more detail below.

15 If the answer to step 260 above is no, or if the user selected the "Reject Contract?" option in step 208, the program proceeds to step 276 for registering the sender's or recipient's rejection of the contract along side the other communications in the data record. Step 278 then notifies the other party of this rejection.

20 Returning to Fig. 2B, if the "Respond to Registered Contract?" option was not selected in step 200, the program continues at step 300 of Fig. 2D. Fig. 2D illustrates the establishing of an escrow account in the central contract negotiating computer 12.

25 Step 300 first determines whether the "Establish Escrow Account?" option was selected. If the answer to step 300 is yes, the program proceeds to steps 302-306 for establishing an escrow account. If the answer to step 300 is no, the program proceeds to step 400 illustrated in Fig. 2E as described below.

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Referring to Fig. 2D, step 302 prompts the appropriate party to enter an escrow account as provided by the terms of the contract, counter-offer, or other communication described above. The escrow money is delivered to the central contract negotiating computer 12 by conventional methods of electronic transfer of money. The escrow account is stored in the data record along side the contract and the other contract communications.

Step 304 then determines the conditions that must be met prior to releasing the escrow account. These conditions are established through the contract negotiations steps described above. For example, the sender of the contract may have requested an escrow account from the recipient in exchange for the promise to send the recipient goods. In this scenario, the conditions for the release of the escrow account is the delivery of the goods to the recipient. After the conditions for release have been established, step 306 registers the escrow account in the appropriate data record.

If the "Establish Escrow Account?" option was not selected in step 300 of Fig. 2D, the program continues at step 400 of Fig. 2E. Fig. 2E illustrates the registration of progress reports relating to the executed contract.

Step 400 first determines whether the "Report Progress of Contract?" option was selected. If the answer to step 400 is yes, the program proceeds to steps 402-422 for registering contract progress reports. These steps allow the parties to the contract and other designated third parties to monitor the conditions and obligations of the contract and to report the same to the central contract negotiating computer 12. If the answer to step 400 is no, the program proceeds to step 500 illustrated in Fig. 2F as described below.

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Returning to Fig. 2F, step 402 prompts the sender, recipient, or designated third party to enter the reference number or code of the appropriate data record. Steps 404 and 406 then search the data record database for the data record and display the conditions and obligations of the contract stored in the data record.

Step 408 prompts the sender, recipient, or designated third party to enter proof that any of the listed conditions and obligations have been met. For example, if delivery of specified goods is a condition or obligation of the contract, a shipper of the goods may be designated as a third party witness. The third party witness is then notified of the appropriate data record reference number or code and is instructed to report the delivery of the goods to the central contract negotiating computer 12. Step 408 prompts the shipper to enter proof of delivery such as a package tracking code or the password of the party who receives the goods.

Thus, the contract negotiation apparatus 10 not only allows users to negotiate contracts while on-line, but also monitors the meeting of conditions and obligations and the delivery of notices, receipts, and escrow accounts.

In some cases, the central contract negotiating computer 12 itself may be the designated third party. For example, if a condition of the contract is the payment of a specified sum of money, the money can be deposited as an escrow account in the central contract negotiating computer 12 as described above. Then, when the central contract negotiating computer 12 releases the escrow account, it also indicates that this condition or obligation has been met.

The program may also include step 410 which prompts the sender, recipient, or third party to enter his or her password or signature information. Step 410 then

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compares the entered password or signature information to the person's known password for verifying the identity of the person. This allows the parties to the contract to designate certain people to report the performance of certain conditions so that other people cannot provide false reports.

Step 412 then determines whether all the terms, conditions, and obligations of the contract have been met. If the answer to step 412 is no, the program proceeds to step 422 which notifies the parties of the remaining conditions and obligations of the contract. The parties are preferably notified over the communication network, but may also be notified by e-mail, facsimile, voice communication, or by conventional postal service mail.

If the answer to step 412 is yes, step 414 determines whether an escrow account was created in steps 300-306 of the program. If the answer to step 414 is no, the program proceeds to step 418. If the answer to step 414 is yes, step 416 releases the escrow account to the appropriate party. This release is performed using conventional electronic transfer methods as described above.

Step 418 then notifies the parties to the contract that all terms, conditions, and obligations have been performed or otherwise met. Step 420 then modifies the contract data record to designate that the contract's terms, conditions, and obligations have been fulfilled.

If the "Report Progress of Contract?" option was not selected in step 400 of Fig. 2E, the program continues at step 500 of Fig. 2F. Fig. 2F illustrates the retrieval of a registered data record.

Step 500 first determines whether the "Retrieve Contract Data Record?" option was selected. If the answer to step 500 is no, the program returns to step 104 in fig. 2A to re-list the program options. If the answer to step

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500 is yes, the program proceeds to steps 502-516 for retrieving a data record.

5 Steps 502-516 allow the parties to the contract and members of the public to search the data record database of central contract negotiating computer 12. For example, the parties to the contract may later wish to retrieve the appropriate data record for use as proof that the contract was executed and performed. Similarly, members of the general public may wish to search the database to research the record of a person who has previously entered into contracts. More particularly, a vendor may wish to search the database to determine the reputation of a buyer before the vendor enters into a new contract with the buyer. If the buyer has previously entered into contracts that are registered in the central contract negotiating computer 12 and has failed to meet his obligations in these prior contracts, the vendor may refuse to deal with the buyer. Thus, the present invention provides a convenient forum for both consumers and vendors to research the reputation of other companies and individuals.

25 Step 502 initially displays an index of all stored data records in the database along with their reference numerals. As described above, the data record database is preferably organized and categorized according to the parties names or the type of contract to facilitate searching and retrieval. Step 504 then prompts the user to enter the reference number of a desired data record.

30 Steps 506 and 508 retrieve the selected data record and determine whether the data record is confidential. If the answer to step 508 is yes, step 514 indicates that the data record is confidential and then proceeds to step 516.

35 If the answer to step 508 is no, step 510 may be provided for collecting a fee before releasing the data

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record. Step 512 then displays or transmits the data record to the user.

Finally, step 516 asks whether the user wishes to continue the search. If the answer to step 516 is yes, the program returns to step 502. If the answer to step 516 is no, the program ends.

Although the invention has been described with reference to the preferred embodiment illustrated in the attached drawing figures, it is noted that equivalents may be employed and substitutions made herein without departing from the scope of the invention as recited in the claims. For example, any or all of the functions of the computer program illustrated in Figs. 2A-2E may be performed by an agent program that communicates with the main computer program. The agent program can provide all of the interaction with the user and can carry out all necessary functions including monitoring of the conditions and terms of the contract. The agent program may also provide some of the steps in the method before an access terminal is connected to the central computer for saving on-line costs. The agent program may reside in a secondary central contract negotiating computer coupled with the central contract negotiating computer 12, in the access terminals, or in the central contract negotiating computer 12 itself for delivery to the access terminals over the communication network.

Additionally, although many of the steps of the present method have been described in terms of on-line transactions, some or all of the steps may actually occur off-line via e-mail, voice, or other data transmission processing means.

Moreover, the contract negotiating method described herein can be modified to encompass a wide range of contract applications. In one exemplary application, a user can enter a contract for a service into the central

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5 computer 12. The parties can agree to the service and the payment of an associated fee on-line. The central computer can monitor the performance of the contract and can send invoices and other required notices as conditions of the contract are met. The central computer can then monitor the payment of the invoice and can release the payment to the service provider.

10 Having thus described the preferred embodiment of the invention, what is claimed as new and desired to be protected by Letters Patent includes the following:

Claims:

1. A method for negotiating a contract over a communication network, the method comprising the steps of:

- 5 (a) receiving into a contract negotiating computer means an offer from a sender for a recipient sent over the communication network,
- (b) storing the offer in a data record in the contract negotiating computer means;
- 10 (c) notifying the recipient of the receipt of the offer in the contract negotiating computer means;
- (d) receiving into the contract negotiating computer means an acceptance of the offer from the recipient and storing the acceptance in the data record with the offer; and
- 15 (e) maintaining the data record including the offer and acceptance in the memory of the contract negotiating computer for providing proof of the contract.

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2. The method as set forth in claim 1, including the step of storing a list of conditions and obligations of the contract in the contract data record.

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3. The method as set forth in claim 2, including the step of receiving into the contract negotiating computer means proof that certain of the conditions and obligations of the contract have been met and storing the proof in the contract data record.

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4. The method as set forth in claim 3, including the step of receiving into the contract negotiating computer means a consideration item from either the sender or the recipient for delivery to the other party after the conditions and obligations of the contract have been met.

5. The method as set forth in claim 4, the consideration item including an escrow account and an invoice.

6. The method as set forth in claim 5, including the steps of determining when all of the conditions and obligations of the contract have been met, and in response thereto, releasing the escrow account to either the sender or the recipient.

7. The method as set forth in claim 1 further including the step of receiving a request to view the offer from the recipient.

8. The method as set forth in claim 7 further including the step of sending the offer to the recipient over the communication network.

9. The method as set forth in claim 8 further including the step of receiving into the contract negotiating computer means a counter-offer from either the recipient or the sender and storing the counter-offer in the data record with the offer.

10. The method as recited in claim 1, the contract negotiating computer means including a microcomputer.

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11. The method as recited in claim 1, the contract negotiating computer means including a minicomputer.

5 12. The method as recited in claim 1, the contract negotiating computer means including a mainframe computer.

10 13. The method as recited in claim 1, including the step of receiving the offer and the acceptance from an access terminal coupled with the contract negotiating computer by way of the communication network.

15 14. The method as recited in claim 13, the access terminal including a microcomputer.

20 15. The method as recited in claim 1, the communication network including a telecommunication network.

25 16. The method as recited in claim 1, the communication network including a local area network.

30 17. The method as recited in claim 1, the communication network including a wide area network.

35 18. The method as recited in claim 1, including the step of charging the sender a fee for receiving the offer into the contract negotiating computer means.

 19. The method as recited in claim 18, the fee charging step including debiting a charge card account.

 20. The method as recited in claim 18, the fee charging step including collecting an on-line fee.

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21. A method for negotiating a contract over a communication network, the method comprising the steps of:

- 5 (a) receiving into a contract negotiating computer means a contract between a buyer and a seller for goods or services, the contract being sent over the communication network and including conditions and obligations of the contract;
- 10 (b) storing the contract in a data record in the contract negotiating computer means;
- (c) receiving into the contract negotiating computer means an escrow account from the buyer for delivery to the seller after the conditions and obligations of the contract have been met;
- 15 (d) receiving into the contract negotiating computer means proof that the conditions and obligations of the contract have been met; and
- (e) in response to step (d), releasing the escrow account to the seller.

20 22. The method as set forth in claim 21, step (d) including receiving acknowledgement from the buyer that the goods or services have been satisfactorily received by the buyer.

25 23. The method as set forth in claim 21, step (d) including receiving acknowledgement from a third-party that the goods or services have been delivered to the buyer.

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24. A contract negotiating apparatus for handling a contract between an offeror and an offeree, the apparatus comprising:

5 receiving means for receiving an offer from an offeror for an offeree sent over a communications network; and

storing means for storing the offer in a data record; notifying means for notifying the offeree of the receipt of the offer in the storing means,

10 the receiving means including means for receiving an acceptance of the offer from the offeree and storing the acceptance in the data record with the offer,

15 the storing means including means for storing the data record as a contract data record for providing proof of the contract.

25. The contract negotiating apparatus as set forth in claim 24, the contract data record including the conditions and obligations of the contract.

26. The contract negotiating apparatus as set forth in claim 25, the receiving means including means for receiving an escrow account from either the offeror or the offeree for delivery to the other party after the conditions and obligations of the contract have been met.

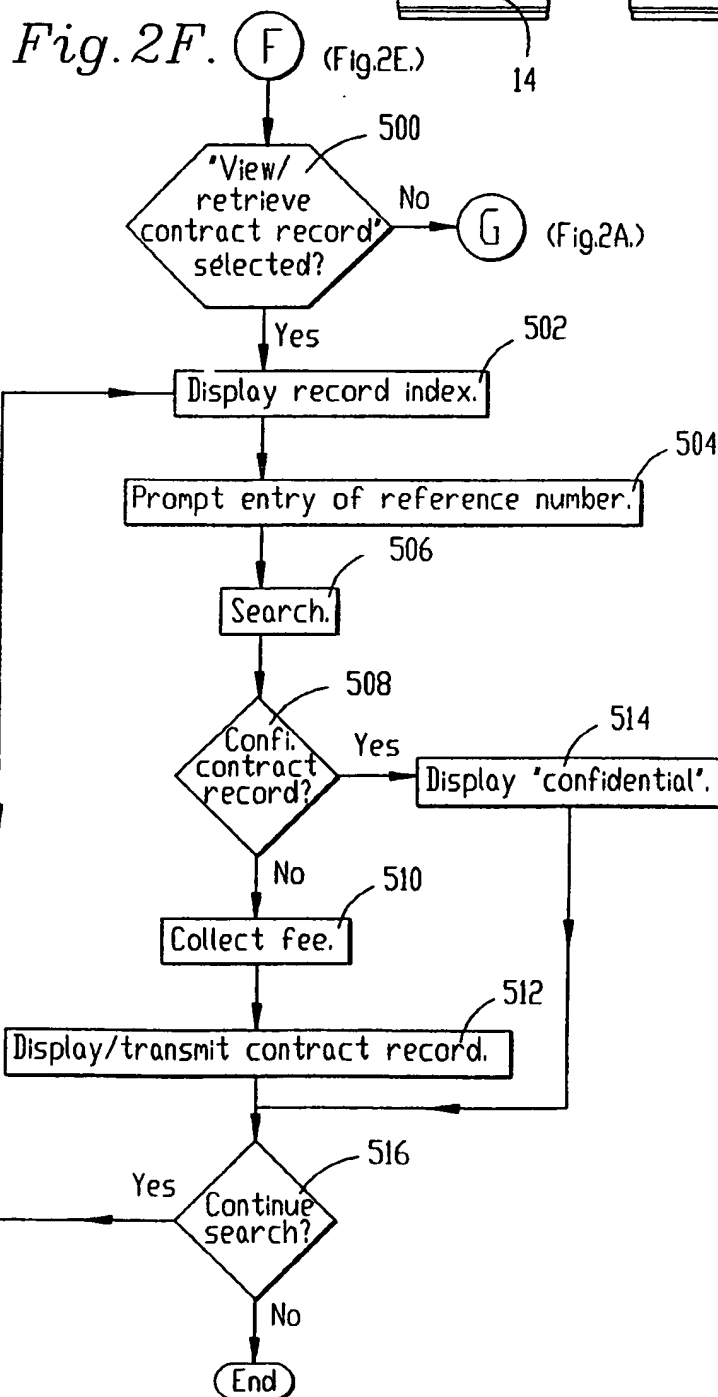
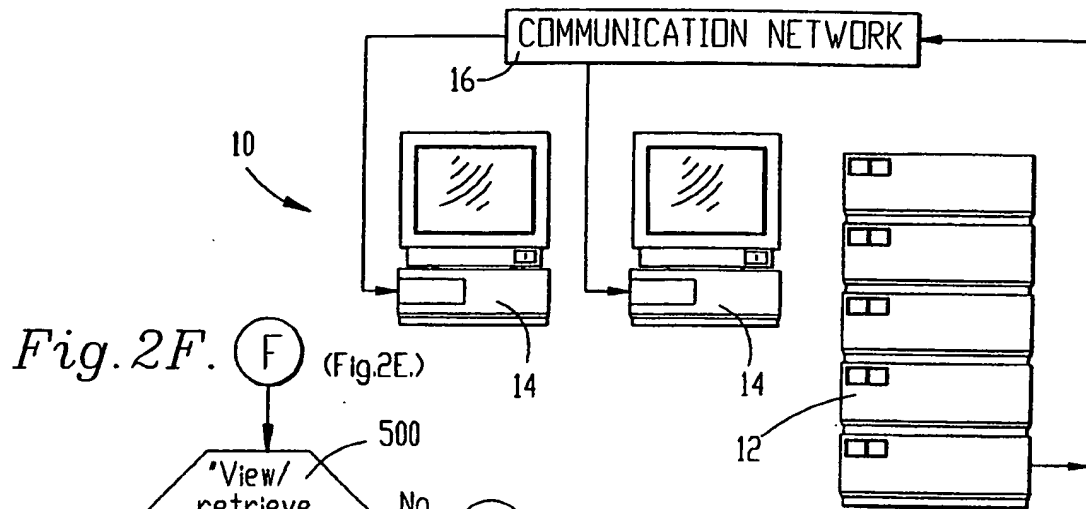
27. The contract negotiating apparatus as set forth in claim 26, the receiving means including means for receiving notification from the offeror and the offeree that the conditions and obligations of the contract have been met.

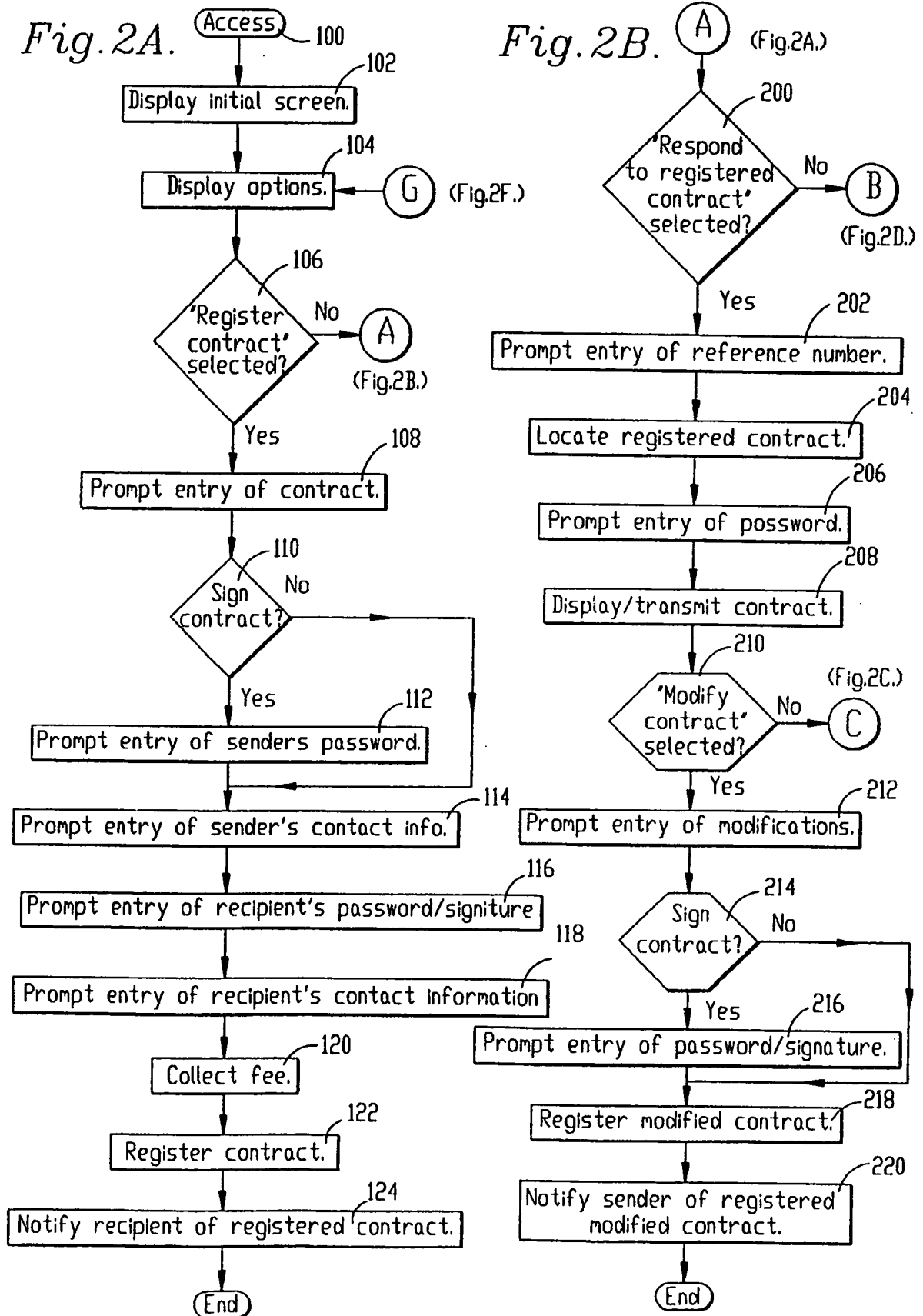
-30-

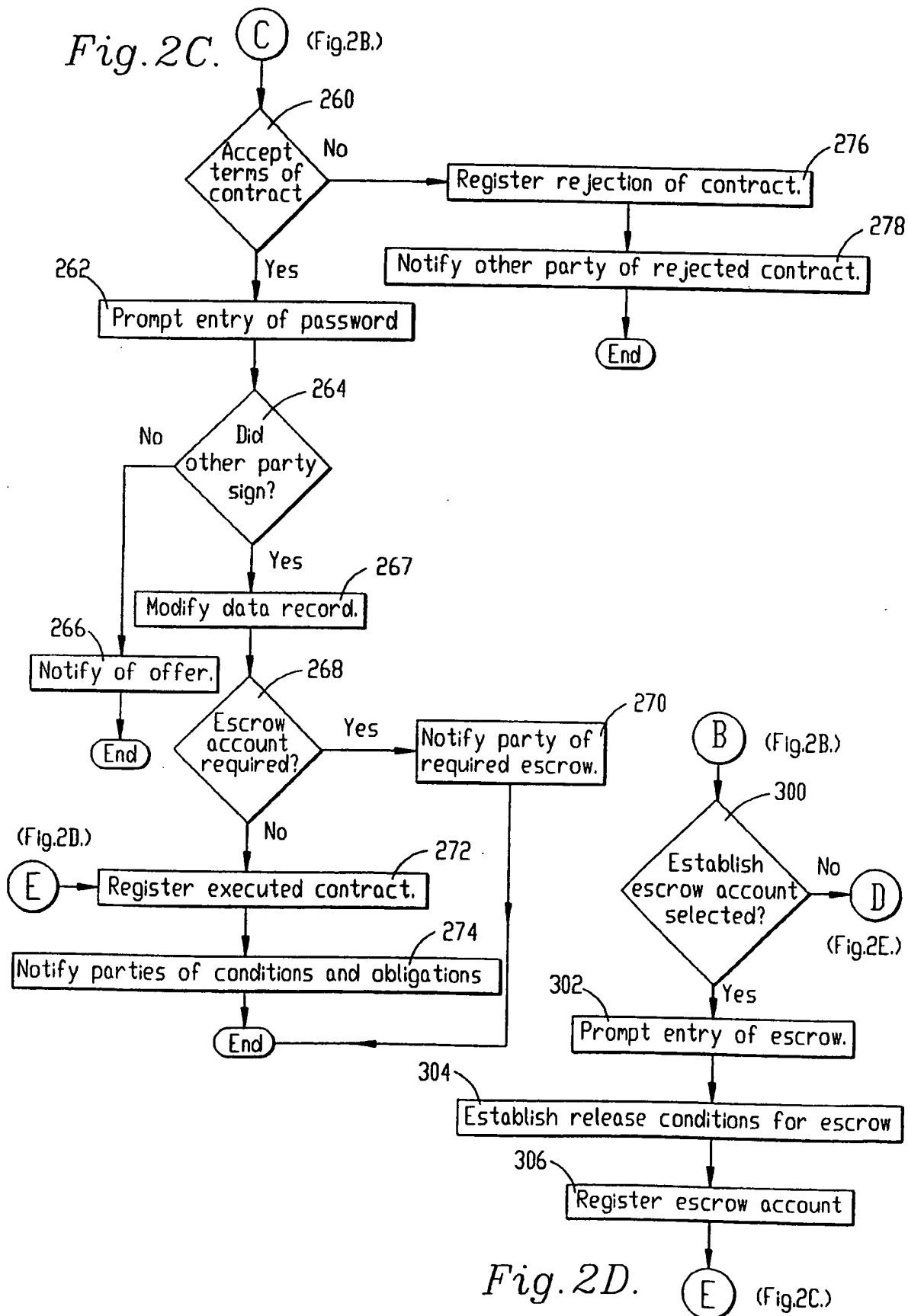
28. The contract negotiating apparatus as set forth in claim 27, including releasing means for releasing the escrow account to either the sender or the recipient. when all of the conditions and obligations of the contract have been met.

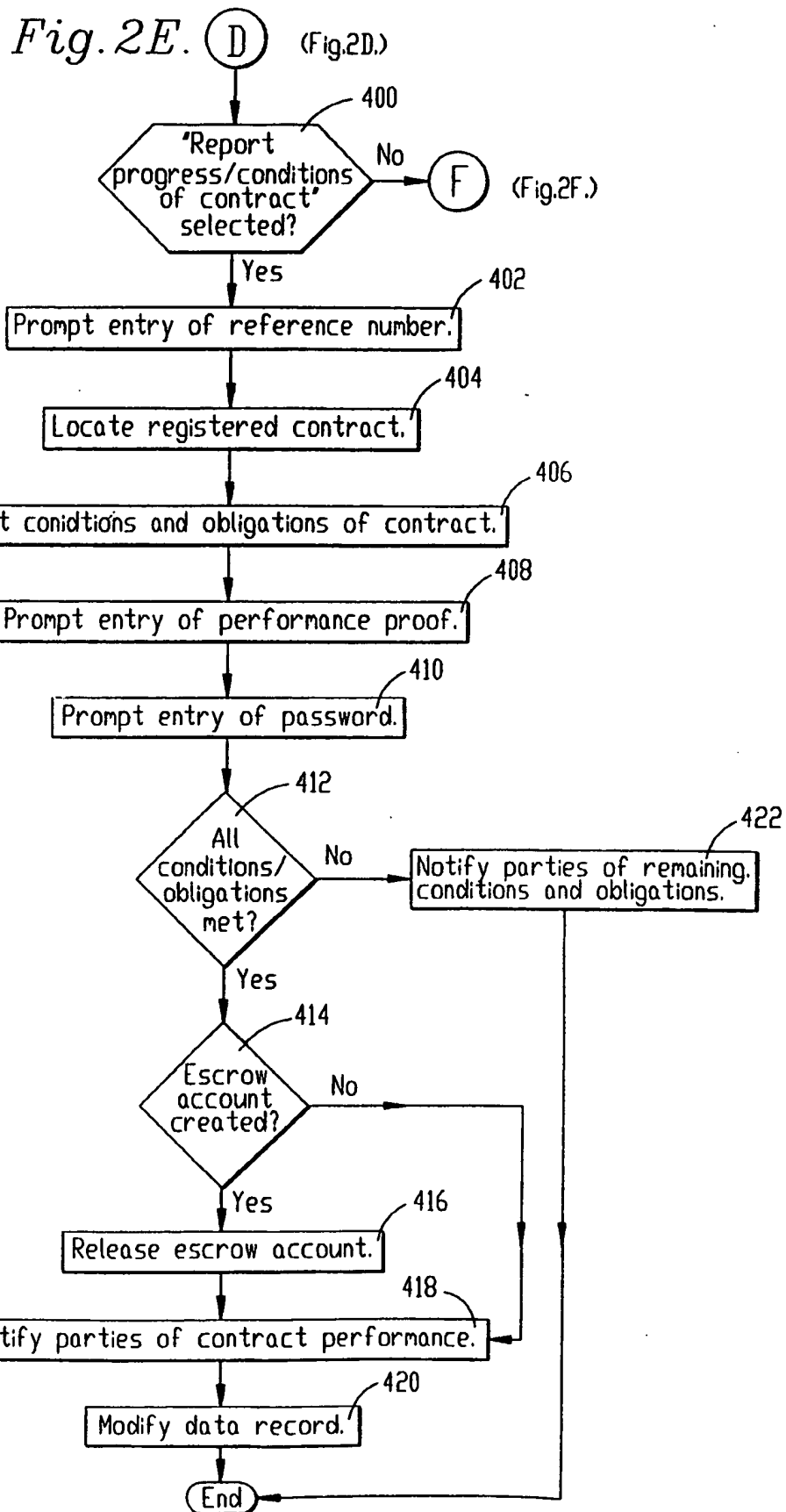
29. A method for monitoring and enforcing the obligations and conditions of a contract, the method comprising the steps:

- (a) receiving into a contract negotiating computer means the conditions and obligations of a contract entered into by a plurality of parties;
- (b) receiving into the contract negotiating computer means verification from the parties or other persons that any of the conditions and obligations of the contract have been satisfied; and
- (c) storing the conditions and obligations and the verification that the conditions and obligations have been satisfied in a searchable data record in the contract negotiating computer means.









INTERNATIONAL SEARCH REPORT

International application No.
PCT/US96/11566**A. CLASSIFICATION OF SUBJECT MATTER**

IPC(6) : G06F 17/60; G06G 7/52

US CL : 395/209

According to International Patent Classification (IPC) or to both national classification and IPC

B. FIELDS SEARCHED

Minimum documentation searched (classification system followed by classification symbols)

U.S. : 395/209; 364/401

Documentation searched other than minimum documentation to the extent that such documents are included in the fields searched

Electronic data base consulted during the international search (name of data base and, where practicable, search terms used)

APS, DIALOG (Search terms: Contract?, online?, negotiat?, database?, trad?, purchas?)

C. DOCUMENTS CONSIDERED TO BE RELEVANT

Category*	Citation of document, with indication, where appropriate, of the relevant passages	Relevant to claim No.
X	US, A, 5,253,165 (LEISECA ET AL.) 12 OCTOBER 1993, SEE ENTIRE DOCUMENT	1-29
Y	US, A, 4,750,119 (COHEN ET AL.) 07 JUNE 1988, SEE ENTIRE DOCUMENT	5, 6, 21-23, 27
X, E	US, A, 5,535,383 (GOWER), 09 JULY 1996, SEE ENTIRE DOCUMENT.	1-29

☐ Further documents are listed in the continuation of Box C. ☐ See patent family annex.

* Special categories of cited documents:	*T* later document published after the international filing date or priority date and not in conflict with the application but cited to understand the principle or theory underlying the invention
A document defining the general state of the art which is not considered to be part of particular relevance	*X* document of particular relevance; the claimed invention cannot be considered novel or cannot be considered to involve an inventive step when the document is taken alone
E earlier document published on or after the international filing date	*Y* document of particular relevance; the claimed invention cannot be considered to involve an inventive step when the document is combined with one or more other such documents, such combination being obvious to a person skilled in the art
L document which may throw doubts on priority claim(s) or which is cited to establish the publication date of another citation or other special reason (as specified)	*G* document member of the same patent family
O document referring to an oral disclosure, use, exhibition or other means	
P document published prior to the international filing date but later than the priority date claimed	

Date of the actual completion of the international search

16 AUGUST 1996

Date of mailing of the international search report

10 SEP 1996

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